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FILED
OCT 3
CHARLES ELMORE CROPLEY
CLERK

In the

Supreme Court of the United States.

OCTOBER TERM, 1941.

No. 497.

LEONARD L. EDWARDS,
Petitioner,

v.

BINGHAM PUMP CO., INC., a Corporation,
Respondent.

REPLY BRIEF FOR PETITIONER
IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

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TABLE OF CONTENTS.

	Page
A. The Effect of Failure to Appeal from the Interlocutory Decree (Final Except for Accounting) . . .	1
B. The Effect of Failure to Except to the Master's Report as to Validity	9

TABLE OF CASES.

George v. Victor Talking Machine Co., 298 U. S. 377 (1934)	4
Kickapoo Development Corp. v. Kickapoo Orchard Co., 231 Wis. 458, 467 (1939)	7
Marden v. Campbell Printing Press Co., 67 F. 809 (C. C. A. 1, 1895)	3
Richter v. Standard Mfg. Co., 224 Wis. 121, 125–6 (1937),	8
Smith v. Vulcan Iron Works, 165 U. S. 518, 525 (1896) .	7
Victor Talking Machine Co. v. George, 105 F. (2d) 697, 699 (C. C. A. 3, 1939)	6

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IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Petitioner respectfully requests leave to reply briefly to Respondent's Brief in opposition, in view of the public importance of the questions involved.

A. THE EFFECT OF FAILURE TO APPEAL FROM THE INTERLOCUTORY DECREE (FINAL EXCEPT FOR ACCOUNTING).

Respondent's brief completely ignores the principal point of the petition—that respondent's failure to appeal from the interlocutory decree (*final* except for accounting) *caused the same unnecessary accounting it was Congress' purpose to prevent* in permitting appeals from an interlocutory decree granting an injunction, and decrees final except for accounting, under Title 28, U.S.C., Secs. 227 and 227a. If

respondent had so appealed, it could have obtained a complete review on the merits on such appeal, and prevented an unnecessary accounting. In failing to appeal, and causing the unnecessary accounting, respondent should suffer the usual penalty—be deemed to have waived his right to be heard on the merits of the matters concluded by the interlocutory decree (final except for accounting).

Respondent's Brief leaves these questions still unanswered:

> Where the Appeal Statutes (now Title 28, U.S.C., Secs. 227 and 227a), theretofore permitting appeals only from final decrees *after* accounting, are amended by Congress, to permit an appeal *before* accounting (from an interlocutory decree granting an injunction, and which is *final* except for accounting) and thereby obtain a complete review on the merits *before accounting, and so avoid a possible unnecessary accounting,* can a defendant defeat the express purpose of Congress and *cause such unnecessary accounting,* merely by withholding his appeal until the final decree *after* accounting? Or, shall the purpose of Congress be achieved by subjecting such a defendant to the usual penalty of one who fails to appeal from an appealable decree,—that he be deemed to have waived his right to be heard on the merits of all matters concluded by the decree entered *before* accounting?

Naturally, the Appeal Statutes should be construed to achieve, rather than to defeat, the purpose intended by Congress. There is no reason whatsoever why this cannot be done here. The Appeal Statutes can be thus construed, we respectfully submit, by holding **that when there has been a final hearing on the merits** *and an interlocutory decree is entered granting an injunction and which is* **final except for accounting,** *the defendant desiring to be heard on the*

merits should appeal within 30 days from the entry of such decree, or be deemed to have waived his right to be heard on the matters concluded by such decree. By the same token, if there has been a split decree, refusing the plaintiff an injunction in certain respects, the plaintiff should also appeal from the same decree within 30 days, if he desires to be heard on the merits of the refusal of the injunction. In this manner, the intent of Congress can be achieved, the unnecessary accounting, and piecemeal appeals, can be avoided, and the objective of one complete trial on the merits in the District Court, and one complete review on the merits in the Court of Appeals, attained.

The Appeal Statutes have not been so construed previously* in several cases for four reasons:

1. The courts have lost sight of the purpose intended to be achieved by Congress,—the avoidance of unnecessary accountings—in permitting appeals from interlocutory decrees granting an injunction, and decrees which are final except for accounting, under Title 28, U.S.C., Secs. 227 and 227a.

2. The courts have uncritically followed old authorities like *Marden* v. *Campbell Printing Press Co.*, 67 F. 809 (C.C.A. 1, 1895) without examining the legislative history of Title 28, U.S.C., Sec. 227 and 227a and amendments thereto, and not realizing that the construction of the Appeal Statute made therein in 1895, when a *plaintiff* could not appeal from an interlocutory decree *refusing* an injunction, and justifiable at that time to avoid piecemeal appeals, now reaches the opposite result and *causes* piecemeal appeals, now that the Appeal Statute (Sec. 227) permits appeals *by both parties* from an interlocutory decree both granting or *refusing* an injunction.

3. Other courts have apparently been misled by the words

*** Save in those cases cited in Petitioner's Main Brief on Petition, Point 3, Pages 22-23.**

"interlocutory decree" in Sec. 227, and have regarded this as meaning a decree granting or refusing a *temporary* injunction, heard on motion and ex parte *affidavits.* They have not realized that a decree *entered after final hearing on the merits,* which orders an accounting, is also an *interlocutory* decree.* Naturally a defendant who fails to appeal from an *interlocutory* decree granting a *temporary* injunction, can still appeal on the merits from a *final* decree granting a *permanent* injunction, but by the same token on appeal from the *final* decree, he should not assign as error the granting of the *temporary* injunction, that question being concluded by his failure to appeal from the earlier decree. But the evil intended to be prevented by Congress—the avoidance of unnecessary accountings—is not caused by a defendant's failure to appeal from a decree granting a *temporary* injunction, as no *accounting* is ever ordered except after *final* hearing on the merits.

4. Some courts have apparently been misled by the permissive language of the Appeal Statutes (Title 28, Sec. 227, 227a)—that "an appeal *may* be taken from such decree". They have thought that because Congress did not use the word *"must"*, that an appeal from an interlocutory decree, or decree which is final except for accounting, is only *optional* or *permissive.* But, no litigant *must* appeal from any decree, if he does not wish to. But, if he fails to appeal, when a timely appeal gives him full opportunity to be heard on the merits and will prevent an unnecessary accounting, he is properly deemed to have waived his right to be heard thereon, in accordance with settled appellate practice. Practically every Federal Appeal Statute is couched in *permissive* language—even those relating to appeals from *final* judgments or decrees (Title 28, U.S.C., Sec. 230),

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* *George* v. *Victor Talking Machine Co.*, 298 U.S. 377 (1934), and cases therein cited.

from which a party *must* appeal if he is ever to be heard thereon.

The result has been that for many years* the great economic waste of unnecessary accountings, and needless expense to litigants, and the great waste of the time and energy of the Courts of Appeal in being required to consider the same questions twice on separate and piecemeal appeals of both parties, have been tolerated and permitted by the courts, only because they have failed to examine the legislative background of the Appeal Statutes and the objectives intended by Congress in amending them, and have failed to construe the statutes in accordance with established principles of appellate procedure. A wasteful and archaic appellate procedure has thus been tolerated for many years by the Courts of Appeal wholly unnecessarily, without realizing that complete relief lay in their own hands in a proper construction of the Appeal Statutes. This court many times has had to correct the lower courts in their misapplication of legal principles and misconstruction of statutes, but at no time, we truly believe, could its pointing out the correct rule of decision bring greater relief to the harassed and helpless litigant in as many cases, as in the present instance. We know no question of appellate procedure in greater need of clarification by this Court. The question is constantly arising and may in fact arise in any case in which an injunction and accounting is sought. The greater incidence of split decrees, resulting in increased numbers of fragmentary appeals and further clogging of the dockets of the Courts of Appeal, to be expected under the new Rules of Civil Procedure, has already been pointed out.†

The remedy for this deplorable situation plainly lies with this Court. Unless this Court intervenes now by granting the

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* Since 1911, when the present Sec. 227 was again amended to permit appeals by the plaintiff from the interlocutory decree *refusing* an injunction, and since 1927, in the case where the patent has expired before decree.

† Petitioner's Main Brief—p. 28.

present petition, the prospect that the situation can ever be corrected by the Courts of Appeal becomes well nigh hopeless, as this Court's apparent tacit approval of the doctrine of *Victor Talking Machine Co.* v. *George*, 105 F. (2d) 697 at 699 (C.C.A. 3, 1939) by denying certiorari therein will normally preclude any Court of Appeals from ever re-examining the question. The situation can then only get increasingly worse, until public clamor against the senseless practice of compelling highly expensive accountings before a case is heard on its merits on appeal, when a defendant fails to appeal from the interlocutory decree after final hearing and before accounting, again compels Congress to act, as it did in 1891, but this time to make its intention clearer and even more explicit! The remedy is clear. The defendant who causes this unnecessary expense in this manner should suffer the usual penalty of one who fails to appeal from one appealable decree—be deemed to have waived his right to be heard thereon. The great waste and delays to litigants in the meantime, however, have been caused solely because the courts have failed in their task of statutory construction. We respectfully submit that the need for intervention by this Court in settling this "much debated and troublesome question" is clear and urgent.

Respondent's Brief in no wise weakens petitioner's contentions.

The implied argument (Brief p. 12) that petitioner's contentions are inconsistent with the provisions of Sections 227 and 227a that "proceedings in other respects in the District Court shall not be stayed during the pendency of such appeal unless otherwise ordered by the Court" is without merit. *The universal practice is to suspend accounting proceedings pending an appeal from the interlocutory decree before accounting.* The Committee in Senate Report 1319, accompanying Senate Bill 4957, which became Title 28, U.S.C., Sec. 227a (Petitioner's Main Brief, pp. 19–20), thus said:

"Upon the entry of such a decree an appeal from the Order granting the injunction may be taken immediately *and it is the general practice to suspend all proceedings under the accounting until the Court of Appeals has determined the questions of validity of the patent and infringement.* If the Court holds against the plaintiff on either of those questions, it reverses the decree of the lower court, *and there is, of course no accounting.*"

The reasonableness of petitioner's construction of the Appeal Statutes (Title 28, U.S.C., Sections 227 and 227a) can scarcely be disputed. The desirability of a complete review on the merits by the Court of Appeals *after final hearing and before an extensive accounting* is so obvious as not to require argument. Congress was convinced of that in 1891, and thought it had provided the remedy! *Respondent's whole argument in essence is* (Brief, p. 20) *that Congress did not make its intention clear enough.* But such an argument is applicable to any statute ever enacted by Congress or any Legislature,—statutes which are being interpreted every day by the Courts. This Court in fact, provided the necessary clue to proper construction of the Appeal Statutes in *Smith* v. *Vulcan Iron Works,* 165 U.S. 518 at 525 (1896) when it set forth the "manifest intent" of Congress in permitting appeals from an interlocutory decree granting an injunction, but this has strangely been overlooked by the lower Courts.

The rule contended for by petitioner here is in fact the law in Wisconsin, where appeal statutes similar to the present Federal statutes exist. In *Kickapoo Development Corp.* v. *Kickapoo Orchard Co.,* 231 Wis. 458 (1939) a trade-mark infringement and unfair competition case, an interlocutory decree granting an injunction and awarding an accounting was entered after final hearing, from which defendant failed

to appeal. The Court held on defendant's appeal from the final decree *after* accounting, that the merits of the interlocutory decree were not in issue, and only the questions raised by the accounting could be considered. Justice Wickhem said (p. 467):

> "The first question here relates to the finality of the interlocutory judgment and is raised by the contention that while the time to appeal, the interlocutory judgment had passed, the whole matter was fully within the control of the trial court until entry of the final judgment. This contention cannot be sustained. Sec. 270.54 Stats. provides in part:
>
> " 'In case of a finding or decision substantially disposing of the merits but leaving an account to be taken * * * in order fully to determine the rights of the parties an interlocutory judgment may be made disposing of all issues covered by the finding or decision and reserving further consideration until the report, verdict, or subsequent finding.'
>
> "Sec. 274.09 Stats. provides, so far as material here:
>
> " '. . . Appeals may be taken from interlocutory judgments.'
>
> "In *Richter* v. *Standard Manufacturing Co.*, 224 Wis. 121, 271 N.W. 14, this court held that, *being appealable, an interlocutory judgment must be appealed from just as any other judgment, and that if appeal is not taken within the time limited it cannot be reviewed upon appeal from the final judgment.*"

See also:

Richter v. *Standard Mfg. Co.*, 224 Wis. 121 at 125-6 (1937).

We respectfully urge therefore, that the decision of the Court of Appeals herein is plainly contrary to, and defeats

the express intent of Congress, and that the public interest in the avoidance of unnecessary accountings and their attendant expense, and in the avoidance of fragmentary and piecemeal appeals, which already overburden the dockets of the Circuit Courts of Appeal, requires a decision now by this Court construing Title 28 U.S.C., Sec. 227 and 227a, and determining the effect of failure to appeal from an interlocutory decree granting an injunction *after final hearing,* and which is *final* except for accounting.

B. THE EFFECT OF FAILURE TO EXCEPT TO THE MASTER'S REPORT AS TO VALIDITY.

It remains undisputed in Respondent's Brief that respondent excepted September 24, 1935 to the Master's Report and his findings as to infringement *but not as to the validity of the patent* (R. pp. 48–50). Respondent thus indicated its election at that time to abandon its defense of invalidity, and to rely solely on non-infringement.

Respondent's brief wholly ignores the express provision of Federal Equity Rule 66 in effect at that time, and the rule, settled beyond any dispute, that *a party cannot raise questions in a Court of Appeals to which he has failed to except in the Master's report* (authorities, Petitioner's Main Brief, pp. 29–30).

The rules of this Court and of the Court of Appeals for the Ninth Circuit *as to assignments of error,* of course, have no bearing on a failure to except to a Master's Report.

We believe it essential to the due administration of justice in the United States that cases be decided according to settled rules of procedure and that courts should not reach out to decide questions not raised by the pleadings and not properly before them. The Court of Appeals herein, we submit, has most flagrantly violated this fundamental concept.

We respectfully submit, therefore, that the decision of

the Court of Appeals herein as to respondent's failure to except to the Master's Report on validity of the patent is clearly contrary to the law applicable at that time, and in conflict with the decisions of that Court itself and other Circuit Courts of Appeal, and so far a departure from the accepted and usual course of judicial proceedings as to plainly require the exercise of this Court's powers of supervision.

Wherefore, for the reasons stated, it is prayed that the Court grant the Petition for Writ of Certiorari to the Circuit Court of Appeals for the Ninth Circuit herein.

Respectfully submitted,

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September 25, 1941.